

Message Text

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ACTION EB-07

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FM AMEMBASSY LIMA

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E.O. 11652: N/A

TAGS: EFIN, PE

SUBJECT: LATIN AMERICAN MILITARY MISSION DEBT ARREARAGES

REFS: A) STATE 136243 B) JCS REPORT ON MILITARY MISSION

DEBT, DATED FEBRUARY 27, 1976

SUMMARY. EMBASSY AND STATE/DOD APPEAR TO NEED MORE BACKGROUND INFORMATION BEFORE RAISING THE ARREARAGES ISSUE AT ANY LEVEL WITH PERUVIANS. WE SHOULD ALSO CONSIDER WHETHER THE RESULTS OF PURSUING THIS MATTER WILL COVER THE PROBABLE COSTS OF THE EXERCISE. CANCELLATION OF THE ARREARAGE DEBT, COUPLED WITH MODERNIZATION OF OUR FUTURE BILLING PROCEDURES, MIGHT BE THE MOST ECONOMIC AND PRUDENT COURSE TO FOLLOW IN THE CASE OF PERU. END SUMMARY.

1. A REVIEW OF EMBASSY FILES INDICATES THAT THE EXPULSION FROM PERU OF THE BULK OF OUR MAAG PERSONNEL IN 1969 DID NOT LEAD TO A CANCELLATION OF BASIC AGREEMENTS GOVERNING U.S. MILITARY ASSISTANCE IN PERU. FILE REFERENCES INDIRECTLY SHOW THAT A BASIC AGREEMENT DATED 1952, AS AMENDED IN 1960, CONTINUES IN FORCE. REFERENCE B. GIVES THE IMPRESSION THAT THE BASIC AGREEMENT GOVERNING U.S. MILITARY ASSISTANCE IS DATED OCTOBER 6, 1955; THIS DOCUMENT IS NOT NOTED IN OUR FILES.

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2. ALTHOUGH WE LACK THE TEXTS OF THESE BASIC DOCUMENTS, WE CAN

DEDUCE FROM SECONDARY REFERENCES THAT PERU UNDER THE 1952/60 AGREEMENTS IS OBLIGATED TO PAY BOTH PCS EXPENSES AND COMPENSATION CHARGES WITH THE FORMER COLLECTED IN WASHINGTON AND THE LATTER BILLED BY MAAG IN LIMA. REFERENCE B APPEARS CORRECT IN ITS CONCLUSION THAT NEITHER COLLECTION NOR PAYMENT HAS BEEN UNDERTAKEN SINCE SOME TIME PRIOR TO 1969. OUR MOST RECENT DOCUMENTATION SHOWS THAT PERU'S MONTHLY PAYMENTS WERE CURRENT AS OF APRIL 5, 1967.

3. WASHINGTON HAS NOT ATTEMPTED ANY FIGURES FOR THE COMPENSATION ACCOUNT, AND WE LACK THE STATISTICS TO RECONSTRUCT IT IN LIMA. THE COMPENSATION DEBT WOULD SEEM TO HINGE ON SEVERAL VARIABLES. A DETERMINATION NEEDS TO BE MADE AS TO WHICH MEMBERS OF FORMER MILITARY MISSIONS IN PERU WERE IN "ACCREDITED" STATUS AND, THEREFORE, COUNTABLE UNDER THE COMPENSATION DEBT. AN UNKNOWN NUMBER OF "NON-ACCREDITED" MILITARY PERSONNEL WOULD LIKEWISE NEED TO BE ESTABLISHED AND SUBTRACTED FROM THE ACCOUNT. SINCE OUR FILES PRIOR TO 1974 HAVE BEEN RETIRED TO WASHINGTON, THE DEPARTMENT/DOD WILL NEED TO MAKE THESE DETERMINATIONS OF STATUS.

4. ANOTHER TECHNICAL FACTOR TO BE CLARIFIED IS THE RECORD OF INVOICE DOCUMENTATION FOR CHARGES LEVIED UPON PERU FOR PCS EXPENSES AND COMPENSATION CHARGES. IF, AS IT NOW APPEARS, WE HAVE NOT PRESENTED ANY BILLS TO PERU ON THESE CHARGES FOR AT LEAST EIGHT YEARS, OUR PENDING APPROACH MUST BE BUTTRESSED BY AS BUSINESSLIKE A RECORD AS CAN BE RECONSTRUCTED. IN THIS REGARD, WE NOTE A SMALL DISCREPANCY OF \$13.06 BETWEEN THE FIGURE OF \$174,559.46 CLAIMED AS ACCUMULATED PCS AND RELATED EXPENSES ON PAGE 13 OF REFERENCE B AND THE AMOUNT OF \$174,546.40 ON PAGE 16.

5. THE SOL/DOLLAR EXCHANGE RATE HAS ALTERED AT LEAST THREE TIMES OVER THE PAST EIGHT YEARS, AND PERU IS CERTAIN TO RESIST ANY OLD DEBT CLAIM WHICH IS CALCULATED AT THE CURRENT EXCHANGE RATE. WE WOULD LIKE TO KNOW IF ANY AGREEMENTS ADDRESS THIS ISSUE OF WHAT RATE WOULD PREVAIL IN CALCULATING AN OLD DEBT.

6. GIVEN THE PROBABLE AMBIGUITY ATTENDING THE CALCULATION OF THESE CHARGES, AND PERU'S CURRENT PREOCCUPATION WITH OTHER MORE PRESSING DEBTS, THE RAISING OF THESE CHARGES COULD ENTAIL CONSIDERABLE NEGOTIATIONS AND BE ATTENDED BY LOSS OF GOODWILL. LIMITED OFFICIAL USE

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WE APPRECIATE THAT THE CONGRESS IS CONCERNED THAT PROPERLY DOCUMENTED DEBTS SHOULD BE PAID IN A TIMELY FASHION BY FOREIGN COUNTRIES. AT THE SAME TIME, THE LANGUAGE OF PROPOSED SECTION 505 INCLUDES QUALIFYING CONCEPTS LIKE ESTABLISHING "DEFAULT", WHICH SUGGESTS SOME LEEWAY FOR REASONABLENESS AND SPECIAL CIRCUMSTANCES TO GOVERN THE ARREARAGES QUESTION. IN THE CASE OF PERU AND ASSUMING THAT THE CHARGES FINALLY TO BE ESTABLISHED ARE RELATIVELY SMALL,

CANCELLATION OF THE DEBT MIGHT PROVE THE WISEST CHOICE.

7. WE WOULD PREMISE ANY CANCELLATION UPON GETTING OUR CURRENT ACCOUNTS, METHODS OF BILLING, AND MUTUAL UNDERSTANDING OF DEBT OBLIGATIONS UNDER EXISTING AGREEMENTS MORE CLEARLY ESTABLISHED. THE NEED TO INTEGRATE SEPARATE BILLINGS INTO AN INTRA-SERVICE ACCOUNT PROCEDURE THROUGH WASHINGTON, WHERE DOD NOW HANDLES MAP CHARGES, EMERGES AS A PRIORITY CONSIDERATION.

8. THE MISSION STANDS READY TO RAISE ARREARAGES AS A TECHNICAL QUESTION AND, IF NECESSARY, A DIPLOMATIC ONE, SHOULD THE DEPARTMENT FIND THIS USEFUL. BUT WE WILL NEED COUNSEL ON THE QUESTIONS RAISED AND CLARIFICATION ON THE AGREEMENTS UNDER WHICH WE NOW OPERATE, BEFORE WE CAN PRUDENTLY APPROACH THE PERUVIANS AT ANY LEVEL. WE WOULD ALSO APPRECIATE RECEIVING THE TEXTS OF THE 1952 AGREEMENT AS AMENDED, THE 1955 AGREEMENT OF REFERENCE B AND ANY OTHER GERMANE PERUVIAN/U.S. UNDERSTANDINGS ON MAP WHICH CAN BE UNEARTHED IN THE WASHINGTON ARCHIVES.
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